

RD AN No. 4224 (4279-A and 4279-B)
November 15, 2006

SUBJECT: Business and Industry Guaranteed Loan Program
Qualified Intellectual Property

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify and provide guidance on when qualified intellectual property may be considered a tangible asset when calculating tangible balance sheet equity.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on the subject.

IMPLEMENTATION RESPONSIBILITIES:

RD Instruction 4279-B, section 4279.131(d), outlines what the minimum tangible balance sheet equity requirement must be for certain businesses. RD Instruction 4279-A, section 4279.2, defines “tangible balance sheet equity” as “total equity, less the value of intangible assets recorded on the financial statements, as determined from balance sheets prepared in accordance with generally accepted accounting principles (GAAP), plus qualified intellectual property.” “Qualified intellectual property” is also defined in section 4279.2 as “trademarks, patents, or copyrights included on current (within one year) audited balance sheets for which an audit opinion has been received that states the financial reports fairly represent the values therein and the reported value has been arrived at in accordance with GAAP standards for valuing intellectual property. The

EXPIRATION DATE:
November 30, 2007

FILING INSTRUCTIONS:
Preceding RD Instruction 4279-A
and 4279-B

supporting workpapers must be satisfactory to the Administrator.” The value of intellectual property on compiled or reviewed financial statements may not be considered a tangible asset. The audited financial statements and the supporting work papers, along with the recommendation of the State Office, must be sent to the National Office to ensure the documentation is satisfactory prior to consideration of any qualified intellectual property as a tangible asset.

If you have any questions, please contact Business and Industry Division Loan Processing Branch at (202) 690-4103.

(Signed by Jackie J. Gleason)

JACKIE J. GLEASON
Administrator
Business and Cooperative Programs